

Honolulu, Hawaii

APR 25 2019

RE: S.B. No. 394
S.D. 1
H.D. 1
C.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 394, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to amend the way Hawaii taxes multistate businesses.

Specifically, this measure:

- (1) Requires multistate businesses to apportion income, for tax purposes, by using only the taxpayer's sales factor, rather than the average of the taxpayer's property, payroll, and sales factors; and



- (2) Adopts market-based sourcing for the sale of services and intangible property for purposes of apportioning income under the Uniform Division of Income for Tax Purposes Act.

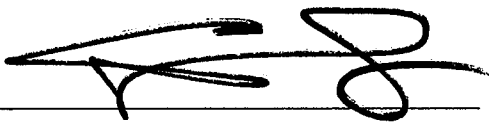
Your Committee on Conference finds that multistate businesses are taxed in Hawaii under the Uniform Division of Income for Tax Purposes Act, which apportions a share of their total income to each state in which they do business using the average of the taxpayer's sales, property, and payroll factors. Your Committee on Conference further finds that apportioning a multistate business' income using only the sales factor, rather than the equally weighted three-factor formula currently in use, will not properly reflect a taxpayer's activity in the State.

Your Committee on Conference has amended this measure by deleting the provisions that would require multistate businesses to apportion income using only the taxpayer's sales factor, rather than the average of the taxpayer's property, payroll, and sales factors.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 394, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 394, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE



SYLVIA LUKE
Chair

ON THE PART OF THE SENATE



DONOVAN M. DELA CRUZ
Chair




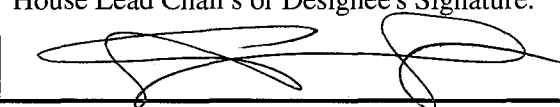
GILBERT S.C. KEITH-AGARAN
Co-Chair



Hawai'i State Legislature

CCR 26

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 394, SD 1, HD 1					Date/Time: 4/22/19 10:34AM						
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).											
<input type="checkbox"/> The Committee is reconsidering its previous decision.											
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.						
Senate Managers		A	WR	N	E	House Managers		A	WR	N	E
DELA CRUZ, Donovan M., Chr.		X				LUKE, Sylvia, Chr.		X			
KEITH-AGARAN, Gilbert S.C., Co-Chr.		X				CULLEN, Ty J.K.		X			
FEVELLA, Kurt		X				MCDERMOTT, Bob		X			
TOTAL		3				TOTAL		3			
A = Aye		WR = Aye with Reservations			N = Nay			E = Excused			
Senate Recommendation is:						House Recommendation is:					
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted						<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					
Senate Lead Chair's or Designee's Signature:						House Lead Chair's or Designee's Signature:					
											
Distribution:		Original		Yellow		Pink		Goldenrod			
		File with Conference Committee Report		House Clerk's Office		Senate Clerk's Office		Drafting Agency			